

“EXECUTIVE AND JUDICIAL COMPENSATION IN THE FEDERAL
GOVERNMENT (QUADRENNIAL COMMISSION)”

Subcommittee on the Federal Workforce and Agency Organization
Chairman Jon C. Porter

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OPENING STATEMENT

I would like to thank everyone for being here today.

It is an unfortunate reality that there have been and will always be substantial differences in pay between top level federal government executives and executives in the private sector. Perhaps Babe Ruth summed it up best when asked by a reporter during the great depression of the 1930's why his salary as a baseball player was more than that of the President of the United States, Herbert Hoover. The Babe's response: "I had a better year."

Many years have passed since Babe Ruth's humorous yet telling remark. And, needless to say, the Babe did not "call the shot" on the problem of pay erosion and pay compression for certain top executives on the federal level. Inequities in pay for certain top level executives of the federal government have existed for some time and have not gone away. In fact, for many, as we will hear today from some of our distinguished witnesses, it is getting worse and has caused the federal government to lose some of its best and brightest leaders. And until this problem is properly addressed, the American people will continue to pay a high price for the low salaries that are being paid to certain top level federal officials.

In June, 2006, GAO completed a study undertaken at my request entitled "*HUMAN CAPITAL: Trends in Executive and Judicial Pay*." The GAO Report calls attention to the fact that the basic pay rates of certain top level executives and members of the judiciary, particularly those under Executive Schedule and judicial pay plans, when adjusted for inflation to 2006 dollars, have suffered dramatic declines since 1970. For example, when adjusted for inflation using the Consumer Price Index (CPI), well recognized as an official government index and often utilized by congress (e.g., used for social security and civil service adjustments), pay for cabinet secretaries declined in value by 41%, and the pay of the Chief Justice by 34% since 1970.

In terms of actual dollars, applying the CPI, this means that in 1970 cabinet secretaries were paid the equivalent of \$309,049 (in 2006 dollars) but today, because of pay erosion, cabinet secretaries are being paid \$183,500 or 41% less because of inflation, or what otherwise might be called pay deflation. And again applying the CPI, it means that in

1970 the Chief Justice was being paid the equivalent of \$321,926 (in 2006 dollars) but today is receiving \$212,100, or 34% less because of inflation or pay deflation..

Along with the GAO Report, past studies have also confirmed that certain executive and judicial pay rates are inadequate when measured against inflation and changing economic conditions. For example, in 2003, the National Commission on the Public Service chaired by the distinguished Paul Volcker found that there was a “failure of federal compensation policies” at top levels within all three branches in comparison to the private sector. Of particular note, the 2003 National Commission found the state of judicial pay to be so egregious that the Commission noted that a first priority of Congress should be “an immediate and substantial increase in judicial salaries.” Unfortunately, the 2006 GAO Report confirms that the problem continues.

It is now time to find a solution that will be successful.

GAO, in its Report, has noted that certain principles should be considered to attract and retain the quality of executive and judicial leadership necessary to address 21st century challenges. In particular, GAO has stated that top level pay plans should be: sensitive to hiring and retention trends; reflective of responsibilities, knowledge and skills and contributions; transparent; market sensitive; flexible to economic change; sustainable; and competitive.

In its Report, GAO has also observed that re-establishment of a salary commission may be an option to consider in maintaining reasonable salary relationships across executive and judicial positions – something that I think makes a whole lot of sense. GAO noted that in both 1967 and in 1989, Congress authorized establishment of a commission to study and make recommendations with respect to the salary of top level Federal employees, including positions within the Executive Schedule as well as the judiciary. The first of these commissions was abolished and the second commission has never been appointed.

What we must do now is devise some system to assure adequate compensation for top federal executives and judges that will have the confidence of the public and the members of legislative, executive, and judicial branches of the federal government. At this point, however, we are just sharing preliminary thoughts on this matter. The purpose of the hearing is to first examine the results of the study conducted by GAO and to hear about and discuss the inequities in the existing system. However we have asked our witnesses and would be most grateful if they would share their views with this Subcommittee on whether a salary commission (or some other option) could best assure that top level members of the executive branch and judges are fairly compensated.

In addition to our distinguished group of witnesses today, testimony has been provided to us by Mr. Fred W. Cook, founding Director of Frederic W. Cook & Co., an independent consulting firm specializing in executive compensation issues. Mr. Cook could not be with us today as a witness. He is a well recognized expert on compensation issues and is currently Vice Chairman of the Defense Department Business Board, a federal advisory

committee that provides DOD senior management advice on best practices from the private sector. I ask unanimous consent that Mr. Cook's testimony may be included in the hearing record.

Critical to the success of the federal government in the 21st century is the need to properly address a wide variety of human capital issues involving the federal workforce. As this Subcommittee knows firsthand - and as we have just witnessed in recognizing Mr. Reginald B. Knight of my home State of Nevada for his outstanding contributions as a member of the federal workforce - federal employees not only do an outstanding job, they often go above and beyond the call of duty in doing so. They are truly one of this nation's greatest resources.

One of the most critical human capital issues facing the federal government today concerns the need to make certain that employees in the federal workforce are properly compensated for the responsibilities they undertake in serving the public. In the face of national emergencies, workforce shortages, a looming "retirement tsunami," and the loss of well qualified federal employees to the private sector, it is essential that on the federal level we explore all options to ensure that compensation for job performance is commensurate with responsibilities undertaken. Our federal employees deserve no less.

And this should especially be the case for those in positions of high responsibility in the federal workforce, namely those in top level executive and judicial positions in our government.